

Deferred Compensation

Who Is Eligible?

The Deferred Compensation Program is available to all City employees. It is not available to "Contractors Special Status" or any Independent Contractor who is paid through a Purchase Order.

How the Program Works

A portion of your salary before taxes is deferred and invested with one of the three City-approved providers. In most cases, this deferral is not available for your use unless you retire, terminate employment or have an emergency that qualifies under Internal Revenue Code regulations. You choose the percentage of your salary you want to set aside from each paycheck. There is a minimum deduction of \$10.00 per pay period. The total amount of your regular deferral is limited to \$12,000. Income taxes are not paid on the deferred portion of the salary or on the interest it earns until it is distributed from the Plan, usually at retirement.

Transactions Handled on a CONTINUOUS Basis

- New enrollments (new employees/existing employees not previously enrolled)

If you are enrolling for the first time, you must complete a Deferred Compensation Plan Statement of Information, signed by you and the representative. The Plan Statement should be attached to your participation agreement.

- Name, address, and beneficiary changes
- Canceling (suspending current contributions)
- Catch-up provision

*Each provider allows changes of allocation and fund-to-fund transfers over the phone and/or the Internet. Therefore, Participation Agreements for changes of allocation or fund-to-fund transfers will **not** be processed by Central Payroll, but will be returned to the employee.*

Transactions Handled ONLY During Quarterly Open Enrollments

- Change of provider for prospective contributions
- Change of contribution (amount/percent withheld)
- Transfers between providers of funds already deferred
- Reinstatements of previously enrolled employees

It is the employee's responsibility to verify that transfers and changes of contributions are performed in an accurate and timely manner.

- If you are currently enrolled in the program and would like your options to remain the same, **no action is required**.
- All payroll deduction changes, additions and new enrollments will be effective on the paycheck dated October 10, 2003.
- Transfers from all providers will be effective no later than October 10, 2003.

New!

ING is introducing plan changes. Please contact your rep. or attend the Q&A meetings for additional information.

Due to recent changes in the tax law the City is now allowed to accept funds from other types of retirement accounts (401(k), 403(b) and Traditional IRA (non-Roth).

There are a number of benefits, and also some restrictions, that you should fully understand.

Please contact your provider for additional information regarding this new option.

If you want to change the percentage of contribution or transfer money between providers, contact your department Payroll/Personnel Assistant who can assist you in finalizing your Participation Agreement.

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September 2 – September 12, 2003

MUTUAL FUNDS

Each provider offers a guaranteed return investment that is insured. They also offer other investment options that are **not** guaranteed. These may be more aggressive long-term investment programs. You are cautioned that they involve a degree of risk and some programs are not designed for investors seeking capital appreciation. Please see the appropriate representative for more detailed information.

SECTION 457

The City's Deferred Compensation Program is established under Section 457 of the Internal Revenue Code: "Deferred Compensation Plans of state and local governments and tax exempt organizations", as amended, and is governed by the City's Deferred Compensation Plan document (2002 Revision). A copy of this plan is available upon request from the City Treasurer's Office.

DEFERRED COMPENSATION CATCH-UP PROVISION

What is this provision?

The IRS catch-up provision enables you to make contributions for years in which you did not make contributions but were eligible. You may catch-up for any year(s) after January 1, 1979, if you were eligible to contribute to a deferred compensation plan but did not contribute the maximum amount allowed under the Internal Revenue Code. **Effective January 1, 2003, the maximum amount that can be deferred will be 100% of your taxable compensation up to \$12,000. If using the catch-up provision, a maximum of \$24,000 may be deducted in 2003. These limits will increase each year for the next three years and then be indexed. Please contact your provider for more information.**

How does the catch-up provision work?

To catch-up, you must use the three-year catch-up period immediately preceding the year of your declared normal retirement age to defer additional income through your employer. The age you declare for your normal retirement age must be one in which you are eligible to receive full benefits from your employer's regular pension plan. The amount you are permitted to contribute during this three-year period is determined by subtracting the actual amount you contributed each year from the maximum amount allowed by law each year.

What's new?

An over 50 supplemental is now available to anyone age 50 or older. Effective January 1, 2003, you can add \$2,000 to the \$12,000 maximum contribution. This supplemental must be renewed each year. The supplemental will increase each year for the next 3 years and then be indexed. You cannot do the catch-up provision and the over 50 supplemental at the same time. Please contact your provider for more information.

ACCESS TO YOUR MONEY FOR A FINANCIAL EMERGENCY

In most cases, withdrawals from a deferred compensation plan are not allowed unless you retire, separate from service, or die. However, a withdrawal can be made to meet an "unforeseeable emergency" if your situation meets the Internal Revenue Code requirements and the Emergency Withdrawal Committee approves the withdrawal. For purposes of this Section, an Unforeseeable Emergency is severe financial hardship to the Participant resulting from a sudden, unexpected illness or accident of the Participant or dependent (as defined in Section 152(a) of the Code), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case, but in any case, payment may not be made to the extent that such hardship is or may be relieved:

- through reimbursement or compensation by insurance or otherwise
- by liquidation of the Participant's assets, to the extent the liquidation of such assets would itself cause severe financial hardship
- by cessation of deferrals under the Plan

Emergency withdrawal funds are taxable in the year withdrawn and an emergency withdrawal precludes participation in the Plan for one year.

Provider Information



ING

For additional information, call Catherine Mattingley at 1-800-829-1288.

The ING Fixed Account is not FDIC insured. Please check with your ING representative to ensure you understand how these assets are protected. There is no annual maintenance fee or penalty for transferring funds from ING to another provider.

Current Interest Rate Information As of August 1, 2003			
Account	Current Rate	Annualized Yield	Guaranteed Minimum Rate
Aetna Fixed Account	4.4%	4.88%	4.4%

To transfer funds between investment options and get account values, call 1-800-262-3862, 24 hours a day, 7 days a week. To speak to customer service, press 1 followed by 0#.

For Internet access, go to:
www.ingretirementplans.com



NationalDeferred

For additional information, call Ruth Marquez at 1-877-459-9200, ext. 48121 or Loren Farfan at ext. 45783.

The Washington Mutual Liquid Account is FDIC insured for up to \$100,000. The Stable Value Fund is not FDIC insured. Please ask your NationalDeferred representative for details on Certificate of Deposit (CD) accounts. There are no fees for account liquidation and transfer of funds from NationalDeferred to another provider.

Current Interest Rate Information As of August 1, 2003			
Account	Current Rate	Annualized Yield	Guaranteed Minimum Rate
Stable Value Fund	n/a	4.23%	None
Washington Mutual Liquid Account	0.27%	0.27%	None

To transfer funds between investment options and to get account values, call 1-800-769-4457, 24 hours a day, 7 days a week.

For Internet access, go to:
www.nationaldeferred.com



ICMA Retirement Corporation

For additional information, call Shawn Baker at 1-800-735-7202, ext. 5919.

The Wells Fargo Account is FDIC insured for up to \$100,000. The ICMA-RC Plus Fund is not FDIC insured. Please check with your ICMA representative to details on Certificate of Deposit (CD) accounts. There is no penalty for transferring funds from ICMA-RC to another provider.

Current Interest Rate Information As of August 1, 2003			
Account	Current Rate	Annualized Yield	Guaranteed Minimum Rate
ICMA-RC PLUS Fund	4.29%	4.46%	4.15%

To transfer funds between investment options and to get account values, call 1-800-669-7400, 24 hours a day, 7 days a week.

For Internet access, go to:
www.icmarc.org

Deferred Compensation On-Site Question and Answer Schedule

To obtain more specific information about Deferred Compensation and the various options offered by the three providers, you will be able to contact the representatives at the locations and times indicated:

Tuesday September 2

Police/East Division
Squad Room
4800 Los Coyotes Diag.
8:00 a.m. - 9:00 a.m.

**Health & Human
Services**
Room No. 204
2525 Grand Avenue
11:30 a.m. - 1:30 p.m.

Environmental Svcs.
Assembly Room
2929 E. Willow Street
(Enter at 2600 Temple,
turn right at Stop Sign)
2:00 p.m. - 3:30 p.m.

Wednesday September 3

Police Department
Community Room
100 Long Beach Blvd.
7:30 a.m. - 9:00 a.m.

Harbor/Fire
Cafeteria
925 Harbor Plaza
10:00 a.m. - 12:00 p.m.

City Hall
Council Lounge
Lower Level
333 W. Ocean Blvd.
1:30 p.m. - 4:00 p.m.

Thursday September 4

Police/West Division
Community Room
1835 Santa Fe Avenue
7:30 a.m. - 8:30 a.m.

City Hall
Council Lounge
Lower Level
333 W. Ocean Blvd.
9:30 a.m. - 12:30 p.m.

Police Department
Community Room
100 Long Beach Blvd.
3:30 p.m. - 5:00 p.m.

Friday September 5

Main Library
Meeting Room
101 Pacific Avenue
10:00 a.m. - 12:30 p.m.

Public Service
Employee Development
Center
1601 San Francisco
2:00 p.m. - 4:00 p.m.

Monday September 8

Environmental Svcs.
Assembly Room
2929 E. Willow Street
(Park on Willow St. or in
the Employee Parking
Lot that is accessible
from Willow St.)
7:30 a.m. - 9:30 a.m.

**Parks, Recreation &
Marine**
Large Conference
Room
2760 Studebaker Rd.
10:30 a.m. - 12:00 p.m.

Water Administration
Assembly Room
1800 E. Wardlow Rd.
2:30 p.m. - 4:30 p.m.

If the on-site schedule conflicts with your normal work schedule, obtaining permission from your supervisor is your responsibility. If you are unable to attend any of these sessions, you are encouraged to call the representatives directly.

**The next
Open Enrollment
will be
December 1-12, 2003**